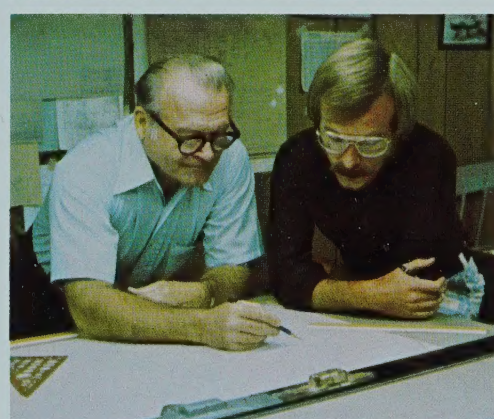
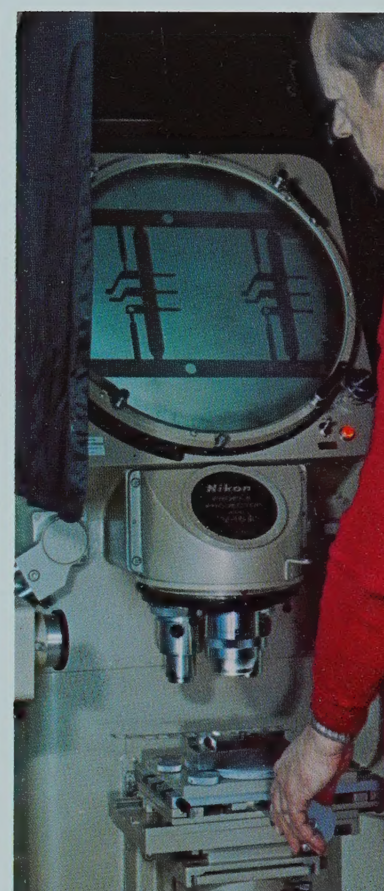
HANDY & HARMAN
1974 ANNUAL REPORT





DIRECTORS AND OFFICERS

Listed below are the members of the Board of Directors of the Company and its executive officers, together with their principal occupations or employment and the principal business of the organizations by which they are employed. In the case of each of the executive officers, his principal occupation is his employment with the Company.

BOARD OF DIRECTORS

THEODORE W. ATKINSON
Group Vice President of the Company.

PHILIP L. CARRET*
Chairman of the Pioneer Fund, Inc., a mutual fund; President of Carret & Company, Inc., investment counselors and broker dealers.

LEONARD C. CREWE, JR.
Part-time consultant to the Company; formerly Group Vice President of the Company.

RICHARD N. DANIEL
Vice President and Controller of the Company.

WILLIAM L. GREY*
Partner of law firm of Pennie & Edmonds.

WILLIAM H. NEWMAN*
Faculty member, Graduate School of Business, Columbia University.

GOUVERNEUR M. NICHOLS*
Director of Company Services, Time, Inc., publishers.

PAUL L. PEYTON*
Retired; formerly partner of law firm of Breed, Abbott & Morgan.

M. WILBUR TOWNSEND*
Chairman of the Board and President of the Company.

FRANCIS H. WEMPLE
Vice President and Treasurer of the Company.

EZRA K. ZILKHA*
Board Chairman, Fidelity International Bank; President, Zilkha & Sons, Inc., investments.

*Member of Executive Committee

OFFICERS

M. WILBUR TOWNSEND
Chairman of the Board and President

THEODORE W. ATKINSON
Group Vice President

CHARLES D. COXE
Vice President—Research and Development

RICHARD N. DANIEL
Vice President and Controller

PHILIP G. DEUCHLER
Vice President—Marketing

ROBERT F. GAMMONS
Group Vice President

LEIF C. KRONEN
Secretary and Counsel

FRANCIS H. WEMPLE
Vice President and Treasurer

CORPORATE SERVICES

GENERAL COUNSEL
Breed, Abbott & Morgan

AUDITORS
Hurdman and Cranstoun

TRANSFER AGENT
Morgan Guaranty Trust Company of N.Y.

REGISTRAR
The Chase Manhattan Bank (N.A.)

STOCK LISTING
New York Stock Exchange
Ticker Symbol: HNH

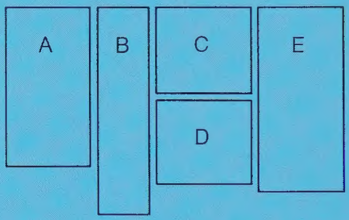
ANNUAL MEETING

The Annual Meeting of the Shareholders of Handy & Harman will be held on April 22, 1975 at the Morgan Guaranty Hall, 15 Broad Street (28th Floor) in New York City at 11:00 a.m.

CONTENTS

THE COVER

Our cover expresses the theme of this year's Annual Report, "Moving Ahead." The photographs depict some of the specific advances made by Handy & Harman in 1974.



(A) *New plant:* Construction of enlarged facility to house our Metalsmiths Division

(B) *New product line:* Ferrite powders—recently developed by our Greenback Industries subsidiary

(C) *New equipment:* Added silver cells at our Attleboro Refinery to handle our increased refining business

(D) *New acquisition:* Planning a miniature component at New Industrial Techniques, Inc.

(E) *New acquisition:* Optical inspection of powder metallurgy part at Custom Stamping & Mfg., Inc.

To our shareholders:

New records set

The year 1974 set new records for both sales and earnings in our 107-year history. Sales amounted to $391,008,000, compared to $333,170,000 in 1973, an increase of 17%. Net income after taxes more than doubled and amounted to $12,247,000 compared to $5,391,000 in 1973, equivalent to $5.30 and $2.32 per share respectively. We are indeed pleased to submit such an excellent report, but in evaluating these results it is important to recognize that inventory profits, arising from a reduction in gold inventories accounted for under the LIFO (last-in, first-out) method, amounted to $2.32 per share, or about 44% of the 1974 total. However, even without these inventory profits, our earnings per share would still have set a new record by a substantial margin.

Gold inventories reduced

Whether or not we have LIFO profits in any given year depends on the level of inventory needed at any particular time to support a specific product line, and this in turn is a function of a number of factors including importantly the demand for that product. During 1974 sales of karat gold jewelry in the United States were down very sharply from the previous year primarily because of resistance at the retail level to the sharp

rise in prices. In fact the latest government report shows a drop of over 40%. Therefore, our shipments of gold products to jewelry manufacturers were also down, although not as much as the industry as a whole. As a result we have needed less gold for our operations and accordingly were able to bring about some reduction in our gold inventories during 1974. This reduction took place throughout the year, and potential LIFO profits were accumulated quarter by quarter. However, they were not included in the quarterly earnings because initially it was our stated intention to restore gold inventories prior to year-end, in which event no LIFO profit would have been realized. All of this was fully explained in a footnote to the published figures at the end of each quarter. Due to the uncertainty in the prospects for an early recovery in the markets for our gold products, we decided in December not to restore our gold inventories completely, and a public announcement was made at that time, a copy of which was mailed to all shareholders. We sent out a second announcement in early January just as soon as we knew the approximate amount of the LIFO profit.

Under existing accounting rules, LIFO profits are considered to be ordinary income and may not be treated as an extraordinary item which would be shown separately in the Financial Statements. However, the amounts of such profits are disclosed in the footnotes, and attention is directed specifically to Note 6 on page 18. Further, in the Five Year Summary of Operations appearing below we have noted those years in which LIFO profits have occurred and have specified the amount.

LIFO reserve increased

Inventories accounted for under the LIFO method are carried at cost on the balance sheet, and the excess of year-end market value over cost is shown in the detailed comparative inventory analysis reported in Note 7 to the Financial Statements. At December 31, 1974 this excess, or LIFO reserve as it is called, amounted to $118,676,000 (after allowing for the LIFO profit realized in 1974), compared to $75,086,000 at the end of 1973. These figures are before income taxes. The LIFO reserve is a unique feature of the company's corporate structure. It not only provides us with a strong credit base, but it also represents an unusual source of funds for financing our growth.

There has been considerable discussion in the press over the past several months about the LIFO method of inventory accounting as contrasted with the more frequently used FIFO (first-in, first-out) or average cost methods, and many com-

panies shifted to LIFO in 1974. Handy & Harman has been using the LIFO method with respect to its precious metal inventory accounting for over thirty years. We have studied the effect of changing to LIFO for non-precious metal inventories and have concluded that a shift is not appropriate, at least at this time. Precious metals make up the greater part of our inventories in terms of dollar values, so we are already largely on LIFO. The added marginal advantages of shifting other inventories to LIFO are outweighed by the many complex considerations involved in effecting such a change.

Diversification program goals

One of the long range goals of our diversification program over the years has been to derive about half our operating earnings, exclusive of LIFO profits, from precious metals and about half from non-precious metals, and for 1974 this ratio was 59% and 41%, respectively. Even though we have not reached our target these are gratifying results, because our non-precious metal subsidiaries as a group were able to improve their relative contribution in spite of the fact that our precious metals business set new records.

Two new companies acquired

Our diversification program is of course a continuing one, and further progress was made through two recent acquisitions. On December 16, 1974 we acquired Custom Stamping & Mfg., Inc. of Upper Saddle River, New Jersey, and on January 30, 1975 we announced the closing of the acquisition of New Industrial Techniques, Inc. of Coral Springs, Florida. Custom Stamping, a cash acquisition, specializes in product design, engineering, stamping and precision fabrication for the electronics industry. New Industrial Techniques, which fabricates powdered metal parts, was acquired through a merger involving the exchange of 50,000 shares of Handy & Harman stock. In addition, immediately after the merger, we invested substantial amounts of cash in the new subsidiary to liquidate certain outstanding obligations. The combined cash requirements of both acquisitions were more than covered by the after-tax LIFO profits realized through the liquidation of excess gold inventories, and therefore in a very real sense we effectively redeployed assets and became our own bankers. These acquisitions are expected to make an immediate contribution to earnings, and in planning for their future development we expect a rate of return on the new investment involved significantly higher than the average rate for the company as a whole.

Private ownership of gold

A recent event which has received a lot of attention was the legalization of the private ownership of gold, which became effective on December 31, 1974. Our position has always been that we would not attempt to enter the retail end of the investor gold business on our own. In line with this position we agreed in October, 1974 to join with Merrill Lynch & Co., Inc. and Samuel Montagu & Co., Ltd. of London to form a jointly owned precious metals company to be called Merrill, Montagu, Handy & Harman, Inc. This company has been in operation since the beginning of the year, and its function is to supply gold to institutions and citizens in the United States. Investor demand for gold since legalization has fallen far short of expectations, but it is too early to tell to what extent it may develop in the future.

The outlook for 1975

The economic climate has shifted quite sharply, starting in the fourth quarter of 1974. In our own business we have experienced a falling off of new orders, coupled with postponements of delivery dates for existing orders and even some cancellations. As a result we have made a number of adjustments in our operations, including some reductions in work force, shortening of work schedules at some of our plants, and in a few instances temporary suspension of production. However, our diversification program, which has resulted in a balanced group of divisions and subsidiaries, reduces our exposure in times of recession as compared with prior years when our business was concentrated in precious metals. We are not heavily dependent on any one or two segments of the economy, even those as important as automotive and housing. In serving diverse industries, we have frequent opportunities to develop new products and new markets, and to expand our share of existing markets. Elsewhere in this Report we have included some photographs with descriptive text illustrating some of these developments.

Handy & Harman today is in a strong position, financially and organizationally, to meet whatever conditions we are faced with during 1975. Many leading economists are predicting an upturn for the second half of this year, and if conditions do indeed improve then we may reasonably expect another good year.

M. W. Townsend

M. W. TOWNSEND
Chairman of the Board and President
March 17, 1975

Five Year Summary of Operations

Dollars in Thousands Except per Share Figures

	1974	1973	1972	1971	1970
Sales of products and service revenues	**$391,008**	$333,170	$235,044	$171,973	$161,229
Cost of products and services	**$340,326**	300,138	212,404	155,687	142,162
Interest on loans	**$ 7,925**	6,190	4,073	4,065	3,693
Income before income taxes, discontinued operations, and extraordinary items	**$ 26,030**	11,453	6,961	2,520	5,896
Provision for taxes on income	**$ 13,783**	6,306	3,690	1,235	2,999
Income from continuing operations	**$ 12,247**	5,147	3,271	1,285	2,897
Discontinued operations	**$ —**	—	(194)	(385)	(222)
Income before extraordinary items	**$ 12,247**	5,147	3,077	900	2,675
Extraordinary credits (charges)	**$ —**	244	(332)	216	(6)
Net income	**$ 12,247***	5,391	2,745	1,116	2,669*
Dividends paid	**$ 1,802**	1,674	1,672	1,678	1,707
Per share of common stock:					
Income from continuing operations	**$ 5.30**	2.21	1.41	.55	1.23
Discontinued operations	**$ —**	—	(.09)	(.16)	(.10)
Income before extraordinary items	**$ 5.30**	2.21	1.32	.39	1.13
Extraordinary credits (charges)	**$ —**	.11	(.14)	.09	—
Net income	**$ 5.30***	2.32	1.18	.48	1.13*
Dividends paid	**$ .78**	.72	.72	.72	.72
Average shares outstanding (nearest thousand)	**2,310**	2,325	2,322	2,334	2,359
Working capital	**$ 45,054**	28,716	28,827	27,114	18,568
Property, plant, and equipment (net)	**$ 26,551**	24,196	22,464	23,162	22,375
Total assets	**$157,186**	127,540	112,763	102,340	96,561
Shareholders' equity	**$ 45,400**	35,050	31,387	30,336	31,322
Number of shareholders	**2,559**	2,600	2,781	2,751	2,840
Number of employees	**2,750**	2,625	2,178	2,035	2,000

***Reduction of precious metal inventories valued under the LIFO method resulted in increases in net income in 1974 and 1970 of approximately $5,362,000 and $1,404,000, respectively, equal to $2.32 and $.60 per share of common stock. See also Note 6 of notes to consolidated financial statements.**

Management's Discussion and Analysis of the Summary of Operations

Comparison of the year 1973 versus 1972 indicates that sales of products and service revenues increased about 42% due primarily to a combination of two factors: higher prices for both precious and non-precious metals, accompanied by increased unit sales volume for both the precious and non-precious metals products other than products for the silverware and jewelry industries.

In the same comparative period, gross profit increased about 46% to approximately 9.9% of sales from 9.6% in 1972 due primarily to changes in the mix of sales from lower gross profit items (e.g., certain karat gold products) to higher gross profit items (e.g., other precious metal products, refinery business and non-precious metal products). At the same time, selling, general and administrative expenses (SG&A) moved up about 30%, mostly as a result of expenses attributable to: the Company's acquisition program; the increased number of operating facilities; a greater number of employees; higher rates of compensation; and increased transportation expenses.

Additionally, because of the greater risk associated with higher, more volatile precious metals prices, the Company's provision for doubtful accounts was increased by approximately 174%. Interest expense went up approximately 52% in part as a result of the added borrowings required to finance the higher average level of accounts receivables, and in part due to higher interest rates prevailing in the period. The result of all this was that net income increased by approximately 96% in 1973 compared to 1972.

In comparing the year 1974 against the year 1973, sales of products and service revenues increased about 17% due primarily to: higher gold and silver prices; greater volume of refining business; and continuing increases in unit sales volume in most products, except for gold and silver products for the jewelry and silverware industries which decreased due to reduced consumer demand resulting primarily from the higher precious metals prices.

Gross profit in 1974 increased approximately 53% as compared to 1973. The primary reasons were: higher selling prices; further improvement of product mix, as described in the comparison of 1973 versus 1972; and LIFO profits realized from the liquidation of gold inventories (see Note 6). These items were offset in part by a charge against earnings reflecting the cost of increasing LIFO silver inventories (see Note 6). As a net result of these factors, gross profit as a percentage of sales was 13.0% in 1974 as compared to 9.9% for the corresponding period of 1973. SG&A showed an increase of approximately 18% due to: an increase in the number of operating facilities; an increase in the number of employees; rising rates of compensation; and an increase in shipping expenses.

The Company's provision for doubtful accounts during the year decreased approximately 91% from the prior year's allowance based on the fact that the reserve level established in 1973 was deemed adequate for the present level and risk of trade receivables. Interest expense increased approximately 27% to about 2.0% of sales from about 1.9% in 1973 due to the added borrowing required to finance a temporary increase in refining business and to higher interest rates.

Net income for 1974 shows an increase of approximately 138% as a result of increases in gross profit as discussed above, and a decrease in the provision for doubtful accounts, offset in part by increases in SG&A, interest expense due primarily to higher interest rates, and increased provision for taxes on income.

The Company's Business

Handy & Harman is primarily engaged in the manufacture of a variety of products containing silver, gold and other precious and non-precious metals and a combination thereof and the sale of such products to industrial users in a wide range of industries, including silverware and jewelry, electrical and electronic, automotive, appliance and aircraft. The Company also provides metal refining services for the secondary recovery of precious and non-precious metals from waste material.

The operations of Handy & Harman and its subsidiaries can be divided into two principal lines of business: (a) manufacturing and refining of precious metals; and (b) manufacturing of non-precious metals. The following tabulation shows, for each of the last five fiscal years, the approximate percentages of the Company's (1) total sales and revenues, and (2) income before income taxes, discontinued operations and extraordinary items, attributable to each line of business:

	1974	1973	1972	1971	1970
(1) Total Sales and Revenues:					
(a) Manufacturing and Refining of Precious Metals	85%	86%	85%	84%	85%
(b) Manufacturing of Non-Precious Metals	15	14	15	16	15
	100%	100%	100%	100%	100%
(2) Income before Income Taxes, Discontinued Operations and Extraordinary Items: *					
(a) Manufacturing and Refining of Precious Metals	77%	68%	86%	69%	86%
(b) Manufacturing of Non-Precious Metals	23	32	14	31	14
	100%	100%	100%	100%	100%

*Interest expense has been allocated on the basis of total assets. Unallocated general and administrative expenses are included in Manufacturing and Refining of Precious Metals.

Included in income, as shown above, are profits before taxes of $11,170,000 in 1974 and $2,956,000 in 1970, attributable to reductions in inventory of precious metals valued under the LIFO method. Exclusion of such LIFO profits would result in the following percentages of income from the lines of business:

	1974	1973	1972	1971	1970
Income before Income Taxes, Discontinued Operations and Extraordinary Items:					
(a) Manufacturing and Refining of Precious Metals	59%	68%	86%	69%	73%
(b) Manufacturing of Non-Precious Metals	41	32	14	31	27
	100%	100%	100%	100%	100%

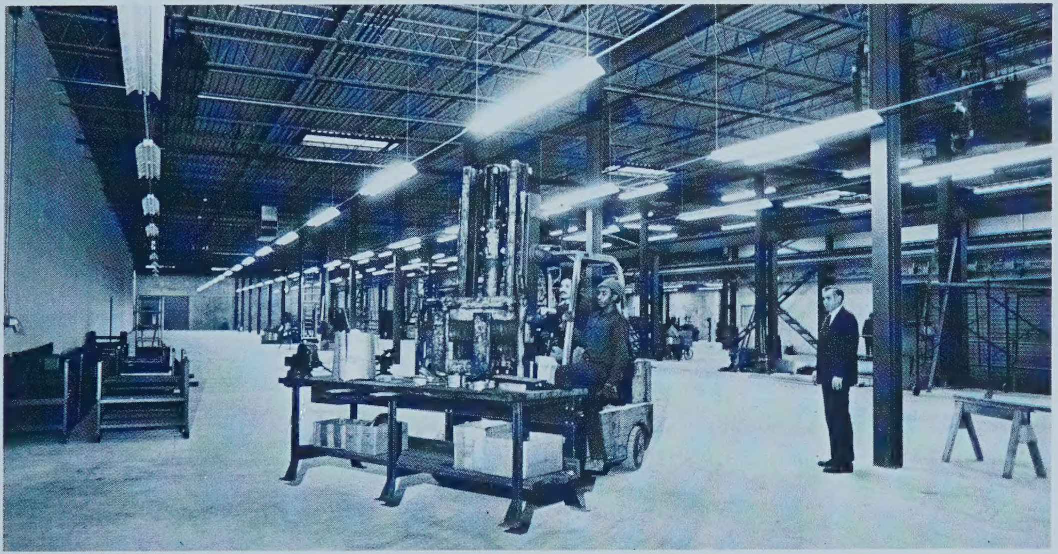
The table below shows, for each of the last five fiscal years, the percentage of total sales and revenues of the Company contributed by each class of similar products or services which contributed 10% or more to total sales and revenues during either the 1973 or 1974 fiscal years.

	1974	1973	1972	1971	1970
Precious Metal Products for Silverware and Jewelry	37%	46%	51%	46%	45%
Precious Metal Industrial Products (Excluding Brazing Products)	23%	22%	16%	15%	18%
Brazing Products for Metal Joining	14%	10%	11%	12%	12%

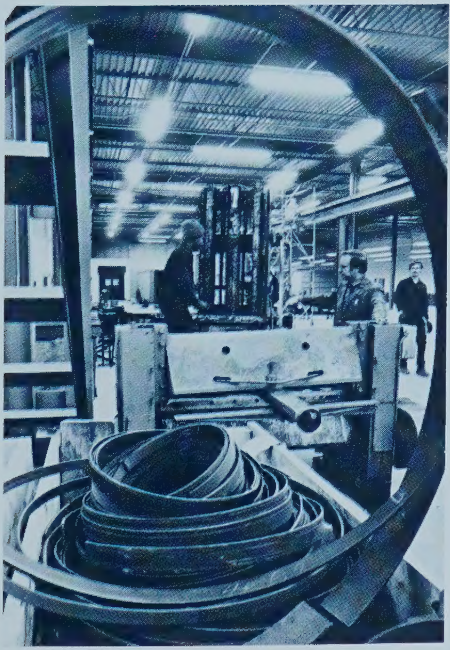
A high percentage of the sale price for many of the Company's precious metal products, particularly products for silverware and jewelry, is the cost of the precious metals used.

Moving ahead:
Our Metalsmiths Division completes the construction of an enlarged and modernized plant at Totowa, N.J.

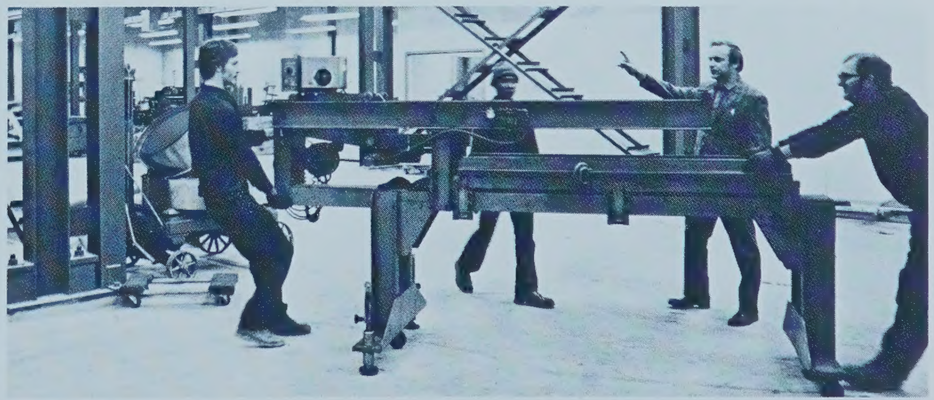
Our Metalsmiths Division, specializing in stainless steel products, completed the construction of its new plant in 1974. The new facility is 50% larger than the former plant, with 48,000 sq. ft. of manufacturing and office space. Its construction was in response to the steadily increasing demand by processing industries for the type of mirror-finish stainless steel belts made by Metalsmiths. The new plant enables Metalsmiths not only to produce more belts more efficiently, but also to make the larger belts now required in continuous processing systems—belts as wide as 10 feet, and hundreds of feet long.



Moving Day—
With plant construction completed, the first work tables are moved into position



The moving operation—seen through the large rings used to clamp and reinforce Metalsmiths' fabricated products



New equipment is installed, including machines for producing the extra-wide endless belts needed by processing industries

E. P. Scott, Metalsmiths president, checks floor plan with Eugene Flinta to finalize location of the new production equipment

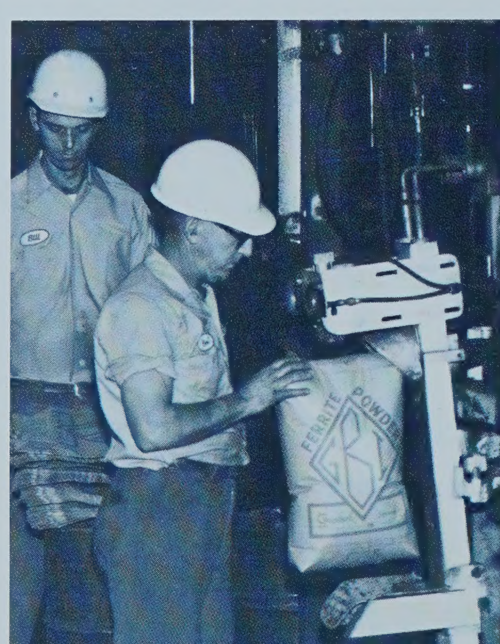
Moving ahead:
Greenback Industries introduces a new product line—magnetic ferrite powder that combines rubber and plastic

In 1974, our Greenback Industries subsidiary in Greenback, Tenn., a leading producer of copper powders, introduced an important new product line—barium ferrite powder. This product, the result of two years of process development and substantial capital investment, opens up new marketing opportunities for Greenback. The ferrite powder, which is magnetic, can be combined with rubber and plastic, and extruded as magnetic strip material. Typical uses are as gaskets for refrigerator and freezer doors and, in fact, any application requiring a flexible magnetic closure.

A new plant—specially constructed to house Greenback's ferrite powder operation

Early step in production—
a mixture of iron oxide and barium carbonate is pelletized and dried

The dried pellets are held at high temperatures to produce precisely-controlled magnetic characteristics



After extensive processing and quality testing, the micron-sized powder is packaged for shipment

Extruded flexible magnetic gaskets, made by combining Greenback's ferrite powder with rubber or plastic materials

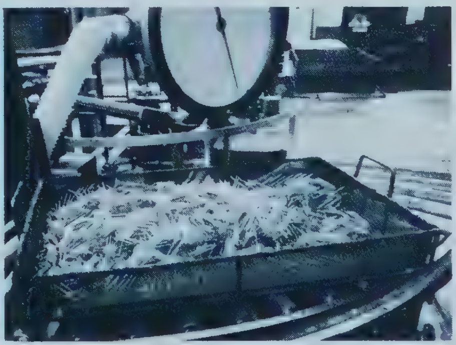
Moving ahead:
New equipment and production processes help our precious metals refineries meet stepped-up demand

Rising prices of precious metals in 1974 stimulated a sharp increase in the market for Handy & Harman's precious metal refining services. We were in a good position to take advantage of this increased business. Our geographic coverage is unique in the industry—with our refineries located in Los Angeles, Calif., Fairfield, Conn., Toronto, Ont. and Attleboro, Mass. In addition, the systematic introduction of new refining equipment and processes further enabled us to capitalize on the heightened demand for precious metal refining, especially from the electrical-electronics industry.

In these electrochemical cells at our Attleboro refinery, castings of silver scrap are deposited as crystals of 99.95% pure silver

The "Silver Room" at Attleboro, where the addition of new electrolytic cells has increased our silver refining capacity

New "wet chemical" analytical processes accelerate the chemical assaying of gold scrap derived from plating operations and printed circuitry



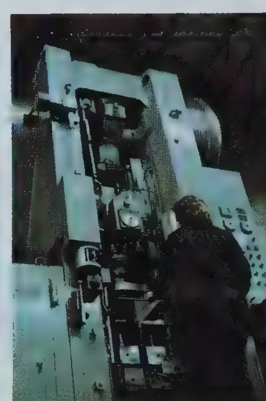
Gold-plated grid wires, typical electronic scrap processed at our Fairfield refinery. New techniques eliminate melting operations and speed the refining process.

Moving ahead:

Two new acquisitions to the Handy & Harman family of specialty meta lend added diversity to our capabilities in non-precious metals manufa

New Industrial Techniques, Inc. of Coral Springs, Florida, is a powder metallurgy manufacturing company. It offers its customers a dual capability—the manufacture of powder metal parts from ferrous and non-ferrous alloys, and the services of a fully-equipped tooling center for precision machining of wrought metal and powder metal components. Because of its advanced fabricating equipment and its complement of skilled people—engineers, designers and tool room personnel—NIT can justly claim to be "the most advanced custom powder metal parts manufacturer" in the U.S.

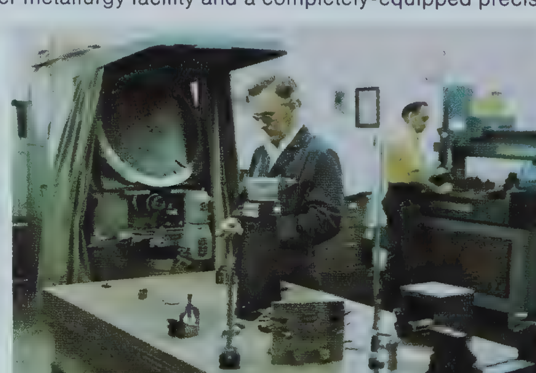
Furnace sintering of ferrous, non-ferrous and stainless steel metal powders, at temperatures up to 2050° F.



Compacting powder metal parts in one of NIT's eight multi-ton compacting presses

New Industrial Techniques' plant—housing both a powder metallurgy facility and a completely-equipped precision machining center

Cylindrical grinding of metal parts to tolerances of ten-thousandths of an inch, in NIT's tooling center



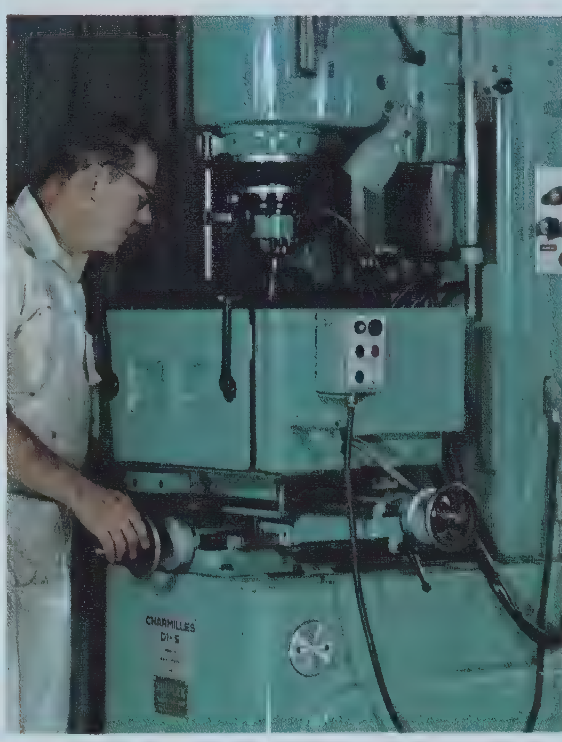
Mechanical and optical instruments used to inspect finished components for dimensional accuracy

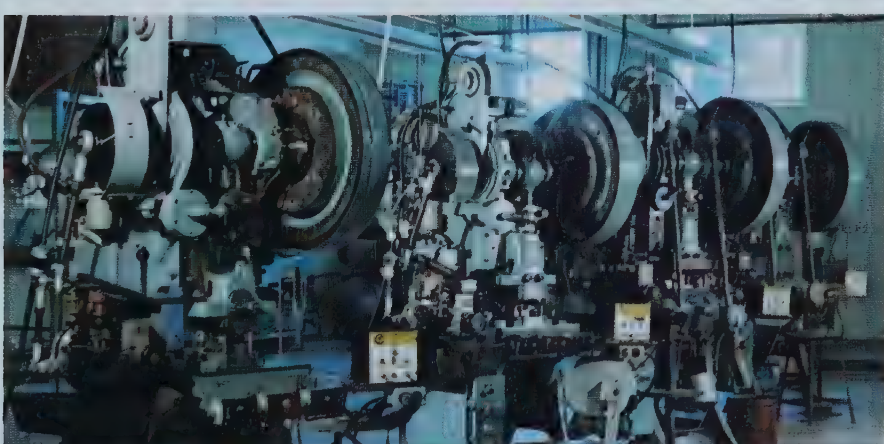
mpanies
ng operations

Custom Stamping & Mfg., Inc. of Upper Saddle River, N.J., is a company that designs, stamps and fabricates miniaturized components for sophisticated industrial applications. Custom Stamping offers customers a total service—the planning of complex prototypes; the production of precision parts in high volume; and assembly and sub-assembly operations. All of the components are produced to close tolerances, to meet the requirements of users in the electronics, glass sealing and optics industries.


Skilled die design—first step in building accuracy into the production operation


Assembling and checking the dimensions of critical production tooling elements


Electrical discharge machine—used to produce carbide sections for long-life progressive dies


High-speed presses with multi-performance dies—for volume production of small parts

Intricate electronic, audio and computer components—typical examples of Custom Stamping's production

Handy & Harman and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 1974	1973
Sales of products and service revenues	**$391,008,000**	$333,170,000
Cost of products and services (Note 6)	**340,326,000**	300,138,000
Gross profit	**50,682,000**	33,032,000
Selling, general, and administrative expense	**16,733,000**	14,124,000
Provision for doubtful accounts	**120,000**	1,312,000
	16,853,000	15,436,000
	33,829,000	17,596,000
Other deductions (income):		
Interest on loans	**7,925,000**	6,190,000
Other (net)	**(126,000)**	(47,000)
	7,799,000	6,143,000
	26,030,000	11,453,000
Provision for taxes on income (Note 3)	**13,783,000**	6,306,000
Income before extraordinary credit	**12,247,000**	5,147,000
Extraordinary credit—utilization of subsidiary's operating loss carryforward		244,000
Net income	**$ 12,247,000**	$ 5,391,000
Per share of common stock:		
Income before extraordinary credit	**$5.30**	$2.21
Extraordinary credit		.11
Net income	**$5.30**	$2.32

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1974	December 31, 1973
Current assets:		
Cash (Note 2)	**$ 10,314,000**	$ 13,621,000
Accounts receivable (less allowance for doubtful: 1974, $1,354,000; 1973, $1,327,000)	**42,922,000**	34,952,000
Inventories—at cost (Note 7)	**72,530,000**	50,646,000
Deferred income tax benefit	**876,000**	1,023,000
Prepaid expenses and deposits	**393,000**	479,000
Total current assets	**127,035,000**	100,721,000
Investments in 33⅓%—50% owned companies—at equity	**1,127,000**	552,000
Property, plant, and equipment—at cost (Note 7)	**47,294,000**	43,395,000
Less accumulated depreciation and amortization	**20,743,000**	19,199,000
	26,551,000	24,196,000
Intangibles, net of amortization (Note 7)	**1,799,000**	1,495,000
Deferred charges	**267,000**	270,000
Other assets	**407,000**	306,000
	$157,186,000	$127,540,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1974	December 31, 1973
Current liabilities:		
Notes payable (Note 2)	**$ 49,612,000**	$ 51,415,000
Current maturities of long-term liabilities (Note 7)	**874,000**	817,000
Accounts payable	**16,412,000**	12,700,000
Accrued liabilities:		
Payroll, smelters' charges, and other expenses	**5,611,000**	3,361,000
United States and Canadian taxes on income (Note 3)	**7,674,000**	2,676,000
Other taxes	**1,798,000**	1,036,000
Total current liabilities	**81,981,000**	72,005,000
Long-term liabilities, less current maturities (Note 7)	**29,765,000**	20,344,000
Total liabilities	**111,746,000**	92,349,000
Deferred income taxes	**40,000**	141,000
Commitments and contingent liabilities (Note 4)		
Shareholders' equity:		
Common stock—6,000,000 shares of par value $1 authorized; issued 2,400,729 shares (Note 5)	**2,401,000**	2,401,000
Capital surplus	**5,068,000**	5,068,000
Retained earnings (Note 2)	**39,680,000**	29,307,000
	47,149,000	36,776,000
Deduct treasury stock:		
1974, 86,008 shares; 1973, 82,508 shares—at cost	**1,749,000**	1,726,000
Total shareholders' equity	**45,400,000**	35,050,000
	$157,186,000	$127,540,000

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Years Ended December 31, 1973 and 1974

	Par Value $1 Common Stock	Capital Surplus	Retained Earnings	Treasury Stock		Total Shareholders' Equity
				Shares	Cost	
Balance, January 1, 1973	$2,396,000	$4,979,000	$25,590,000	74,108	($1,578,000)	$31,387,000
Net income			5,391,000			5,391,000
Cash dividends on common stock — $.72 per share			(1,674,000)			(1,674,000)
Common stock issued in business combination	5,000	89,000				94,000
Common stock purchased for treasury				8,400	(148,000)	(148,000)
Balance, December 31, 1973	2,401,000	5,068,000	29,307,000	82,508	(1,726,000)	35,050,000
Net income			12,247,000			12,247,000
Cash dividends on common stock — $.78 per share			(1,802,000)			(1,802,000)
Common stock purchased for treasury				8,500	(185,000)	(185,000)
Common stock held in treasury re-issued on exercise of stock option			(72,000)	(5,000)	162,000	90,000
Balance, December 31, 1974	$2,401,000	$5,068,000	$39,680,000	86,008	($1,749,000)	$45,400,000

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31, 1974	1973
Working capital, January 1	**$28,716,000**	$28,827,000
Sources:		
Operations:		
Income before extraordinary credit	**12,247,000**	5,147,000
Items entering into determination of the above which did not use (provide) working capital:		
Depreciation and amortization	**2,594,000**	2,365,000
Other	**(39,000)**	41,000
Working capital provided from operations exclusive of extraordinary credit	**14,802,000**	7,553,000
Extraordinary credit		244,000
Working capital provided from operations	**14,802,000**	7,797,000
Disposal of property, plant, and equipment	**269,000**	72,000
Additions to long-term liabilities	**10,186,000**	161,000
Common stock issued in business combination		94,000
Common stock option exercised	**90,000**	
Other		23,000
	25,347,000	8,147,000
Uses:		
Reduction of long-term liabilities	**887,000**	847,000
Cash dividends paid	**1,802,000**	1,674,000
Property, plant, and equipment acquired:		
Through business combinations	**607,000**	1,456,000
Through other cash additions	**4,383,000**	2,527,000
Purchase of treasury stock	**185,000**	148,000
Intangibles acquired through business combinations	**467,000**	1,606,000
Investments	**615,000**	
Additions to deferred charges	**62,000**	
Other	**1,000**	
	9,009,000	8,258,000
Increase (decrease) in working capital	**16,338,000**	(111,000)
Working capital, December 31	**$45,054,000**	$28,716,000
Increase (decrease) in components of working capital:		
Cash	**($ 3,307,000)**	$ 6,519,000
Receivables	**7,970,000**	(1,979,000)
Inventories	**21,884,000**	6,840,000
Deferred tax benefit	**(147,000)**	353,000
Prepaid expenses and deposits	**(86,000)**	(75,000)
Increase in current assets	**26,314,000**	11,658,000
Notes payable and current maturities of long-term liabilities	**(1,746,000)**	5,174,000
Accounts payable	**3,712,000**	5,740,000
Accrued liabilities	**8,010,000**	855,000
Increase in current liabilities	**9,976,000**	11,769,000
Increase (decrease) in working capital	**$16,338,000**	($ 111,000)

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a—Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The accounts of foreign subsidiaries are translated at appropriate rates of exchange (current items at year-end rates, noncurrent at historical rates, and income and expense items at average rates). Translation gains are not material. All significant intercompany items have been eliminated.

Investments in 20%—50% owned companies are carried at equity in their net assets.

b—Inventories

Precious metal inventories are valued principally at cost as computed under the last-in, first-out (LIFO) method, which is lower than market. Other precious metals are stated at replacement value. Non-precious metal inventories are stated at the lower of cost (principally average) or market.

c—Property, plant, and equipment, and depreciation

Property, plant, and equipment are stated at cost. Depreciation and amortization are provided principally on the straight-line method for both financial reporting and tax purposes. Certain of the subsidiaries compute depreciation under accelerated methods. Generally, buildings are depreciated over 50 years and machinery and equipment over 14 years.

d—Research and development

Research and development costs are charged to operations as incurred. Purchased computer systems and programming costs are generally capitalized and amortized over periods not to exceed five years.

e—Intangibles and amortization

Patents are stated at cost as determined by independent appraisers in conjunction with an acquisition accounted for as a purchase. Straight-line amortization is being provided over the remaining lives of the respective patents.

The excess of purchase price over net assets acquired in business combinations are being amortized on the straight-line method over periods ranging from 10 to 40 years.

f—Revenue recognition

Service revenues, which represent charges to customers for processing refining lots, are recognized in income when the lots are settled with the customer as to precious metal content. Additional costs and smelter charges relating to the settled lots are accrued at that time.

g—Retirement plans

The Company and certain of its subsidiaries have non-contributory retirement plans for the benefit of eligible employees. Pension costs are calculated by the Company's consulting actuary to include amortization of prior service cost, generally over a period of 30 years from the inception of the respective plan. The Company's policy is to fund pension costs accrued. The assets of the respective funds exceed the present value of vested benefits, except in the case of newly adopted plans of certain subsidiaries for which the deficiency is not considered material.

h—Taxes on income

The Company files a consolidated Federal income tax return with all its domestic wholly owned subsidiaries. The investment credit is recorded as a reduction of the provision for income taxes under the flow-through method.

Timing differences in reporting certain transactions for financial statement purposes (principally provisions for doubtful accounts) that are recognized in tax returns of other periods are appropriately accounted for as deferred taxes. Net operating tax loss carryforwards are recognized when their utilization is assured.

The Company's policy is to reinvest undistributed earnings of foreign subsidiaries in working capital requirements of those companies. Therefore, as permitted by Opinion Number 23 of the Accounting Principles Board, there is no recognition of domestic income tax expense on such undistributed earnings in the accompanying financial statements. Undistributed earnings of 50% or less owned companies, carried on the equity method, are presently not material.

i—Income per share

Per share amounts are based on the weighted average number of shares outstanding during the years, adjusted retroactively, when applicable, for shares issued in a pooling of interests transaction. Outstanding stock options are considered common stock equivalents using the treasury stock method and are included in the calculation when their effect would be dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—1974 AND 1973

1—Recent acquisitions

In December 1974 the Company acquired all of the outstanding stock of Custom Stamping & Mfg., Inc. for $1,000,000. The acquisition has been accounted for as a purchase.

Subsequent to December 31, 1974, the Company acquired all of the outstanding stock of Advanced Technology Systems, Inc. in exchange for 50,000 shares of its common stock and acquired the remaining outstanding interests of Rigby-Maryland (Stainless) Ltd. (previously 50% owned) for $236,000 cash. Both acquisitions will be accounted for as purchases.

The acquisitions in the aggregate were not material to the revenues and net income of the Company in 1973 and 1974.

2—Cash, notes payable, and restrictions

At December 31, 1974 and 1973, the Company had lines of credit totaling $73,950,000 and $73,700,000, respectively, with 13 commercial banks. Additionally, short-term financing is supported by periodic sales of commercial paper (none and $1,100,000 outstanding at December 31, 1974 and 1973, respectively), a $5,000,000 note agreement with a foreign bank, and a $10,000,000 revolving credit and term loan agreement with two commercial banks.

Under the lines of credit, monies are advanced for periods generally of 90 days at the then prevailing prime rate of interest. The unused lines of credit at December 31, 1974 and 1973 totaled $25,173,000 and $23,730,000, respectively.

At December 31, 1974 and 1973, the average interest rate for outstanding short-term borrowings was 10.9% and 9.8%, respectively. During 1974, the average month-end short-term borrowing was $54,940,000; the weighted average interest rate was 10.3%, computed on the basis of the number of days the borrowings were outstanding; and the maximum month-end short-term borrowing was $81,810,000. The corresponding amounts for the year ended December 31, 1973 were: average month-end borrowing—$55,600,000; weighted average interest rate—8.5%; and maximum month-end short-term borrowing—$71,610,000.

The Company periodically adjusts its lines of credit to reflect borrowing needs which are primarily related to the market value of its precious metal products and the resulting changes in accounts receivable as precious metals are sold. In connection with the lines, the Company maintains average compensating balances equal to 15% of the total line. The balances are not legally restricted as to withdrawal and serve as part of the Company's minimum operating cash balances. The average compensating balances related to the lines outstanding at December 31, 1974 totaled approximately $10,305,000, expressed in terms of book cash balances. This amount was approximately $600,000 less at December 31, 1974 than the amounts reflected by the banks. The difference is attributable to float and uncollected funds.

The note agreement with a foreign bank expires April 10, 1975 and loans under this agreement bear interest at ¾ of 1% above the London quoted rate for Euro-Dollar deposits. A fee of ½ of 1% on the unused commitment is payable during the term of the agreement. At December 31, 1974, there were no outstanding borrowings.

The revolving credit portion of the revolving credit and term loan agreement expires on December 1, 1975, with the then outstanding amount convertible into three-year term loans repayable in installments to December 1, 1978. The loans bear interest at a rate which approximates 120% of the prime rate as in effect from time to time. In addition, a fee of ½ of 1% of the unused commitment is payable during the revolving credit period. At December 31, 1974 and 1973, there were no outstanding borrowings under the agreement.

Both the 9⅛% note payable (Note 7) and the revolving credit and term loan agreement (collectively "the agreements") contain certain restrictions on the declaration of cash dividends and the acquisition of capital stock of the Company. At December 31, 1974, the amount of consolidated retained earnings unrestricted for such purposes was $6,710,000. The agreements also limit total liabilities and require maintenance of minimum working capital to amounts ($183,203,000 and $32,412,000 at December 31, 1974, respectively) determined by formula. Additionally, the agreements limit long-term liabilities to $31,000,000 and require the maintenance of minimum tangible net worth of $30,000,000. At December 31, 1974, the consolidated totals were: total liabilities — $111,746,000; working capital — $45,054,000; long-term liabilities—$29,765,000; and tangible net worth—$43,018,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—1974 AND 1973

3—Taxes on income

The provision for taxes on income comprised the following (in thousands):

1974	Currently Payable	Deferred	Total
State and local	$ 1,941	($11)	$ 1,930
Canadian	1,062	(10)	1,052
Federal	10,734	67	10,801
	$13,737	$46	$13,783
Investment credit			$ 222

1973	Currently Payable	Deferred	Total
State and local	$ 939	($ 68)	$ 871
Canadian	614	(10)	604
Federal	5,240	(409)	4,831
	$6,793	($487)	$6,306
Investment credit			$ 98

Provisions of Canadian tax law require precious metal inventories to be valued at the lower of year-end market or average market price for the year, which amount is in excess of stated value in the accompanying financial statements, as computed under the LIFO method. This resulted in an increase of the provision for Canadian income taxes as follows: 1974, $625,000; 1973, $318,000 ($.27 and $.13 per share, respectively).

The Company has a realized capital loss carryforward of $1,215,000, which expires in 1977, resulting from the liquidation of Electric Thermometers Trinity, Inc.

4—Commitments and contingent liabilities

The Company is contingently liable for the issuance of an additional 5,000 shares of common stock reserved in connection with an acquisition.

Commitments at December 31, 1974 for additional plant and equipment approximated $600,000.

Lease and rental commitments are not significant.

5—Stock options

At December 31, 1974, 69,108 shares of common stock held in the treasury were reserved for issuance under the Company's 1972 Stock Option Plan, and 48,500 shares of unissued common stock were reserved for issuance under the 1965 Plan. Transactions under the Plans are summarized below:

	Shares Available for Option	Shares Under Option: Shares	Shares Under Option: Range of Prices
Balance, January 1, 1973	88,500	60,000	$18.00-$31.63
Options granted	(13,000)	13,000	$18.31
Balance, December 31, 1973	75,500	73,000	$18.00-$31.63
Option granted	(8,000)	8,000	$25.00
Option exercised		(5,000)	$18.00
Option expired	7,000	(7,000)	$31.63
Balance, December 31, 1974	74,500	69,000	$18.00-$25.00

Of the shares under option, 47,200 were exercisable at December 31, 1974 and the balance will become exercisable during the years 1975 to 1982.

6—Cost of products and services

Because customer demand for certain precious metals and for refining services is subject to rapid expansion or contraction in a highly volatile market of changing prices, management deems it prudent to manage inventory levels commensurate with anticipated demand. Increases or decreases at year-end in the quantities of precious metals valued under the LIFO method can have a significant impact on earnings. Accordingly, the determination by management of desired inventory levels at year-end takes into consideration anticipated customer demand, current and past unit market values, and costs to carry such inventories.

During the fourth quarter of 1974, management decided not to restore gold inventories to levels existing at December 31, 1973. The reduction of inventories took place during the first three quarters of the year, but any profits resulting therefrom were deferred as it was then the intention of management to restore the inventories prior to the end of the year. After giving effect to partial restoration during the fourth quarter, LIFO profits of approximately $11,170,000 on liquidation of gold inventories were recognized equal to $5,362,000 ($2.32 per share) after the income tax effect.

Silver inventories have been increased to levels in excess of quantities owned at December 31, 1973. It is the Company's practice, which has been consistently used, to price the increased quantities remaining in inventory at year-end at the prices applicable to the earliest purchases during the year. These earlier prices were lower than prices applicable to subsequent purchases during the year and, as a result, earnings were lower than they would have been had the LIFO inventory levels not increased. This accounting method resulted in a charge against earnings approximating $3,835,000 equal to $1,841,000 ($.80 per share) after the income tax effect.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—1974 AND 1973

7—Supplemental information

	1974	1973
a—Inventories:		
Precious metals:		
Fine and fabricated metals in various stages of completion	$ 55,095,000	$38,628,000
Non-precious metals:		
Base metals, factory supplies, and raw materials	10,285,000	6,579,000
Work in process	4,464,000	3,688,000
Finished goods	2,686,000	1,751,000
	$ 72,530,000	$50,646,000
Precious metals stated at LIFO cost	$ 54,643,000	$38,235,000
LIFO inventory—excess of year-end market value over cost	$118,676,000	$75,086,000
December 31 market value per ounce:		
Silver	$ 4.37	$ 3.26
Gold	$186.75	$112.30
Market value of precious metals held for customers and returnable in commercial bar or fabricated form	$ 21,492,000	$16,910,000
b—Property, plant, and equipment:		
Land	$ 1,215,000	$ 1,220,000
Buildings and improvements	13,256,000	12,973,000
Machinery and equipment	29,078,000	26,139,000
Furniture and fixtures	1,368,000	1,210,000
Automotive	275,000	433,000
Improvements to leased property	529,000	530,000
Construction in progress	1,573,000	890,000
	$ 47,294,000	$43,395,000
Depreciation and amortization charged to operations	$ 2,366,000	$ 2,179,000

	1974	1973
c—Intangibles (net of amortization):		
Patents and die drawings	$ 1,230,000	$ 1,346,000
Excess of purchase price over net assets acquired in business combinations	569,000	149,000
	$ 1,799,000	$ 1,495,000
d—Long-term liabilities:		
7⅜% note, payable in annual instalments of $667,000 to 1988	$ 9,333,000	$10,000,000
9% note, payable in annual instalments of $667,000 from 1977 to 1991	10,000,000	10,000,000
9⅛% note, payable in annual instalments of $667,000 from 1980 to 1994	10,000,000	
Capitalized lease obligation	101,000	
Other liabilities	1,205,000	1,161,000
	30,639,000	21,161,000
Less instalments due within one year	874,000	817,000
	$ 29,765,000	$20,344,000
e—Pension information:		
Cost charged to operations	$ 1,354,000	$ 1,179,000
Unfunded prior service cost	$ 2,426,000	$ 2,368,000
f—Undistributed earnings of Canadian subsidiary	$ 1,092,000	$ 1,175,000
g—Shares of Handy & Harman common stock held in escrow to secure warranties of former shareholders of acquired company	5,000	5,000

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

HURDMAN AND CRANSTOUN
Certified Public Accountants

140 Broadway
New York, N.Y. 10005

To the Directors and Shareholders of Handy & Harman

We have examined the consolidated balance sheet of Handy & Harman and subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of Handy & Harman and subsidiaries consolidated at December 31, 1974 and 1973 and the consolidated results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Hurdman & Cranstoun
Certified Public Accountants

February 25, 1975

Stock Trading & Dividends

Handy & Harman Common Stock is traded on the New York Stock Exchange. The table below sets forth, for the quarterly periods indicated, the high and the low sales prices for the Common Stock on the New York Stock Exchange, as reported by the National Quotation Bureau Incorporated, and the dividends paid on the Common Stock during such periods.

	Common Stock Sales Prices		Dividend Paid on Common Stock
	High	**Low**	**Per Share**
1973			
January 1-March 31	19¾	16¾	$.18
April 1-June 30	20⅞	17¼	.18
July 1-September 30	19¾	17¼	.18
October 1-December 31	18½	14⅝	.18
1974			
January 1-March 31	28	18	.18
April 1-June 30	27¼	19½	.20
July 1-September 30	24⅝	19¼	.20
October 1-December 31	27½	18⅝	.20

HANDY & HARMAN

Executive and General Offices
850 Third Avenue, New York, N.Y. 10022

PLANTS

Fairfield, Conn.
Attleboro, Mass.
El Monte (Los Angeles), Calif.
Mt. Vernon, N.Y.

SERVICE BRANCHES/SALES OFFICES

Attleboro, Mass.
Cleveland, Ohio
Dallas, Texas
Elk Grove Village (Chicago), Ill.
El Monte (Los Angeles), Calif.
New York, N.Y.
Southfield (Detroit), Mich.

SUBSIDIARIES/DIVISIONS

American Clad Metals Division
Pawtucket, R.I.

Automated Process Systems, Inc.
Bensenville, Ill.

Bigelow Components Corporation
Springfield, N.J.

Consolidated Tube Fabricating Corp.
Waterbury, Conn.

Continental Industries, Inc.
Tulsa, Okla.

Custom Stamping & Mfg., Inc.
Upper Saddle River, N.J.

Greenback Industries, Inc.
Greenback, Tenn.

Handy & Harman Metalsmiths Division
Totowa, N.J.

Handy & Harman Tube Co., Inc.
Norristown, Pa.

Hi-Alloys Division of Maryland Specialty Wire, Inc., Cockeysville, Md.

Lucas-Milhaupt, Inc.
Cudahy, Wisc.

Maryland Specialty Wire, Inc.
Cockeysville, Md.

New Industrial Techniques, Inc.
Coral Springs, Fla.

Pennsylvania Wire Rope Corporation
Williamsport, Pa., and Martinsburg, W. Va.

Rathbone Corporation
Palmer, Mass.

Wire-Form, Inc.
Milldale, Conn.

In Canada

Handy & Harman of Canada, Ltd.
Toronto, Ont., and Montreal, Que.

In England

Rigby-Maryland (Stainless) Ltd.
Heckmondwike, Yorkshire

In Japan

Japan Handy Harman, Ltd.
Koshigaya (Tokyo)
(Owned jointly with Mizuno Precious Metals, Ltd. and Ataka and Company, Ltd.)

PRODUCTS

Easy-Flo, Sil-Fos and other silver brazing alloys, in all forms
High temperature brazing alloys
Aluminum brazing alloy
Handy Fluxes for silver brazing
Fine silver and fine gold
Sterling silver
Karat golds and gold solders
Precious and non-precious clad metals
Gold and silver anodes
Gold plating salts
Silver powders, flakes and oxide
Silver contact alloys and sintered products
High purity copper and copper alloy powders; ferrite powders
Dental golds and powders
Preforms, rings, stampings of ferrous and non-ferrous metals
Small diameter, precision drawn stainless steel, carbon steel, nickel alloy tubing
Formed tubing parts
Miniature components of ferrous and non-ferrous metals for electronic and electrical industries
Specialized stainless steel products
Tool steels
Stainless steel, monel, inconel, nickel alloy wire drawn to fine gauges
Wire rope and cable, automotive brake assemblies
Cold drawn profile shapes, pinion rods
Automated conveyor systems
Fittings and connecting products for gas distribution and plumbing industries
Automated brazing equipment
Ferrous powder metal parts

SERVICES

Refining service for all forms of waste materials and scrap parts containing precious metals

HANDY & HARMAN
850 Third Avenue, New York, N.Y. 10022

Printed in U.S.A.